

Message Text

CONFIDENTIAL

PAGE 01 CARACA 04009 080340Z

60

ACTION L-03

INFO OCT-01 ARA-06 ISO-00 USIE-00 SP-02 USIA-06 AID-05

EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 SCCT-01 SSO-00 INRE-00 CIAE-00 DODE-00 PM-04

H-02 INR-07 NSAE-00 PA-01 PRS-01 NSCE-00 /073 W

----- 104738

O 080303Z APR 76 ZFF4

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 2718

C O N F I D E N T I A L CARACAS 4009

E.O. 11652: GDS

TAGE: EINV, PINS, VE US

SUBJECT: OWENS-ILLINOIS NATIONALIZATION

REF: STATE 84246

1. I MET WITH PRESIDENT PEREZ AT HIS RESIDENCE TONIGHT (APRIL 7) FOR ABOUT 45 MINUTES. HE OPENED THE DISCUSSION WITH A VIGOROUS AND AT TIME EXCITED EXPLANATION OF WHY HE HAD DONE WHAT HE DID IN RESPONSE TO THE PUBLICATION BY OWENS-ILLINOIS OF THE KIDNAPPERS' COMMUNIQUE.

-- TERRORISM IS A DEADLY THREAT TO DEMOCRACY IN VENEZUELA AS IT HAS BEEN ELSEWHERE IN LATIN AMERICA. HE MUST DEMONSTRATE THE GOVERNMENT'S DETERMINATION AND AUTHORITY IF THE NIEHOUS KIDNAPPING IS NOT TO BE THE FIRST OF A SERIES OF ACTIONS THAT WOULD UNDERMINE HIS GOVERNMENT.

--OWENS-ILLINOIS WAS PUT ON CLEAR NOTICE THAT THE GOV WOULD NOT TOLERATE PUBLICATION. THE COMPANY "DEFANED" THE GOVERNMENT, SLANDERED RESPECTABLE VENEZUELAN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CARACA 04009 080340Z

AND INTERFERRED IN THE INTERNAL POLITICS OF THE

COUNTRY BY DEFYING THAT INSTRUCTION.

--THERE WERE THREE ALTERNATIVES OPEN TO HIM:

(A) LOOK THE OTHER WAY, AND ENCOURAGE MORE TERRORISM BY DOING SO; (B) CLOSE DOWN OWENS-ILLINOIS OR (C) BUY THE COMPANY OUT ON THE BASIS THAT IT WAS NO LONGER WELCOME IN VENEZUELA.

2. NOTING THAT I WAS SPEAKING FOR THE USG ON INSTRUCTIONS, I REPLIED WITH A REVIEW OF THE POINTS IN THE REFTEL. I EMPHASIZED THAT WE SHARE HIS VIEWS ON THE SERIOUSNESS OF TERRORISM AND DO NOT QUARREL WITH HIS CONVICTION THAT THE LAW MUST BE UPHELD AND A FIRM POSITION TAKEN IN RESPONSE TO THE TERRORIST ACTS. BUT WE COULD NOT AGREE, I CONTINUED, THAT NATIONALIZATION IS CORRECT, JUSTIFIED OR APPROPRIATE AS A RESPONSE. I INSISTED REPEATEDLY THROUGHOUT THE CONVERSATION THAT FORCING OWENS-ILLINOIS TO SELL OUT HERE REPRESENTS "PUNISHMENT" WHICH WE DO NOT REGARD AS PROPER OR IN ACCORDANCE WITH INTERNATIONAL NORMS. I SAID WE ARE CONCERNED BY THE USE OF THIS MEASURE HERE AND ELSEWHERE AS PUNISHMENT FOR PURPORTED MISCONDUCT BY INTERNATIONAL COMPANIES.

3. IN ANSWER TO MY POINT THAT IF VENEZUELAN LAW HAD BEEN VIOLATED, THE SANCTIONS PROVIDED BY THAT LAW SHOULD HAVE BEEN APPLIED, THE PRESIDENT SAID SUCH A COURSE WAS CLOSED TO HIM. THE DECISION TO PUBLISH HAD BEEN TAKEN IN TOLEDO, NOT IN CARACAS. HOW WAS HE TO APPLY VENEZUELAN LEGAL SANCTIONS EXTRATERRITORIALLY? THE OWENS-ILLINOIS OFFICERS HERE HAD NOTHING TO DO WITH THE DECISION. THEREFORE, THE ONLY ALTERNATIVE OPEN WAS IN EFFECT TO DECLARE OWENS-ILLINOIS ITSELF NONGRATA. I REITERATED THAT NATIONALIZATION WAS NOT IN OUR VIEW AN ACCEPTABLE RESPONSE AND EXPRESSED CONFIDENCE THAT OTHER MEASURES WERE AVAILABLE TO ENSURE COMPLIANCE WITH THE LAW..

4. I THEN ADDED THAT WE HOPED NATIONALIZATION COULD BE AVOIDED IN THIS CASE. PEREZ SAID HE HAD TAKEN HIS DECISION AND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CARACA 04009 080340Z

INTENDED TO CARRY IT OUT. HE RECOGNIZED THE CONSEQUENCES IN TERMS OF THE PROBLEMS THIS MIGHT CREATE BETWEEN THE TWO GOVERNMENTS AND WITH PUBLIC OPINION ABROAD. BUT HE COULD NOT DO LESS THAN UPHOLD THE AUTHORITY OF HIS GOVERNMENT. AFTER WE WENT OVER THE GROUND ONCE MORE THE PRESIDENT SOFTENED SLIGHTLY. HE SAID IT WAS NOT HIS INTENTION TO "PERSECUTE" OWENS-ILLIONIS AND THAT PERHAPS A MIDDLE WAY COULD

BE FOUND BY ALLOWING THE COMPANY TO RETAIN ITS
INTERESTS IN TWO ENTERPRISES OUTSIDE OF THE
DIRECT SUBSIDIARY, OWENS-ILLINOIS, VENEZUELA. I
OFFERED NO COMMENT ON THAT IDEA, BUT CLOSED THE MEETING
BY STRESSING ONCE AGAIN OUR OPPOSITION TO NATIONAL-
IZATION AS A MEANS OF IMPOSING SANCTIONS.

5. I WILL PROVIDE SOME ADDITIONAL DETAILS AND COMMENT
IN A TELEGRAM TOMORROW. OUR NEXT FOLLOWING MESSAGE
REPORTS ON THE MEETING OWENS-ILLINOIS WAS HAVING
WITH THE GOV NEGOTIATING TEAM AT THE SAME TIME I
WAS TALKING TO THE PRESIDENT.

SHLAUDEMAM

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: KIDNAPPING, FOREIGN INVESTMENT, NATIONALIZATION, POLICIES, SANCTIONS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CARACA04009
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760132-0366
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760484/aaaactsu.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION L
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 84246
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by BoyleJA>; APPROVED <01 NOV 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OWENS-ILLINOIS NATIONALIZATION
TAGS: EINV, PINS, VE, US, OWENS-ILLINOIS, (NIEHOUS, WILLIAM F)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006